STATEMENT OF THE

NATIONAL TURKEY FEDERATION

AND

NATIONAL CHICKEN COUNCIL

REGARDING THE FUTURE DIRECTION OF FEDERAL FARM COMMODITY PROGRAMS AND POLICY

HEARING OF THE COMMITTEE ON AGRICULTURE

THE HONORABLE LARRY COMBEST
CHAIRMAN

PRESENTED BY

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Thank you, Chairman Combest, Congressman Stenholm, and Committee Members for the opportunity to present the poultry producers views on the important issue of determining the future direction of federal farm commodity programs and policy. The National Chicken Council and National Turkey Federation appreciate the Chairman's invitation to be part of this very vital discussion. I am Peggy Vining, Vice President of International Operations for Perdue Farms. Perdue Farms produces and processes both turkey and chicken with a significant and increasing share of the firm's products being sold into the export market.

The National Chicken Council (NCC) represents companies that produce and process about 95 percent of the young meat chickens (broilers) in the United States. The National Turkey Federation (NTF) represents 98 percent of the U.S. turkey industry, including processors, growers, breeders, hatchery owners, and allied industry.

Also, Mr. Chairman, the Committee has before it a statement from the United Egg Producers, whose members account for 80 percent of U.S. shell egg production. I believe you will find UEP's statement consistent with the points I will make today.

Market-Oriented Approach Necessary

With respect to the specific issues being addressed today, the National Turkey Federation and National Chicken Council strongly support federal farm commodity programs and policies that are not only market-oriented, but encompass the capacity to take full advantage of future market opportunities, both domestically and internationally.

Any future farm program, like any good, successful food company today, must be flexible and nimble, both in times of stress and in times of robust market growth.

U.S. poultry producers supported the 1996 Farm Bill and continue to believe that the principles and objectives of the Federal Agricultural Improvement and Reform Act (FAIR) provide the best path to pursue. Market-based policies will help make American agriculture stronger by laying the foundation for rewarding efficiency, encouraging productivity, managing risks, and allocating resources. To do otherwise for those of us in the global marketplace means our fundamental competitiveness is jeopardized.

Clearly, the domestic U.S. market is where the majority of poultry is sold. Increasingly, however, the growth market is not the mature U.S. marketplace, but the global marketplace. Furthermore, the international market allows U.S. poultry processors to better balance supply and demand for the various poultry parts. North America is essentially the only region of the world where consumers overwhelmingly prefer breast meat or the white meat parts of the bird. All other regions have a very strong preference for leg meat. Thus, being able to compete in the global market allows poultry producers to better balance supply with a broader range of consumer demand.

Basic to being competitive in the world poultry market is the ability of U.S. poultry producers to purchase corn, soybean meal, and other feed-ingredients at costs that are not artificially above world levels. The FAIR Act enables us to be competitive, especially in countries like China where the price of products must be globally competitive or the business will go to U.S. competitors.

To continue to stay competitive, we believe it is important to continue the market-based policies put in place in the last Farm Bill. The planting flexibility inherent in that policy is critical to farmers being able to respond to market demand for feed grain, which in turn ensures the poultry industry is able to respond quickly to domestic and international demand for its products. It also ensures that grain prices – the single biggest cost of poultry production – will be based on market forces and not on government programs that artificially manipulate crop plantings, supply and, ultimately prices.

There has been criticism of this program by some who claim it is great during times of strong commodity prices but is insufficient to protect farmers during periods of low prices. NCC and NTF are sensitive to the Committee's desire to support income during periods of low prices and the reasons why some groups are calling for the inclusion of a "counter-cyclical" program in the next Farm Bill. NCC and NTF think a market-based formula, without caps, for marketing loan program rates would be appropriate. A five-year moving average, dropping the highest and lowest years from the calculation and multiplying by 85 percent would have minimal effect today. The loan rate for corn, for example, would drop from $1.89 per bushel to $1.75 per bushel. But, such a program could provide higher loan rates during some periods of distress.

Beyond that adjustment, creating a counter-cyclical program that maintains market-based flexibility is probably not practical. Certainly, NCC and NTF have not been able to come up with such a program. We think a better solution is to ensure that AMTA-style payments are at a level that provides farmers sufficient income protection during the widest possible range of economic conditions. With respect to the actual payment level, the National Chicken Council and National Turkey Federation differ slightly. NCC has no policy at this time regarding the payment level. The National Turkey Federation would support payments in the range of the AMTA and market loss assistance payments for Fiscal Year 2001.

United States Must Capitalize on World Poultry Market Potential

An appropriately crafted Farm Bill can maintain or even increase the competitiveness of U.S. poultry in the international markets which leads to greater support of farm income. It is critical to remember that increased poultry sales abroad benefit the grain and oilseed farmer as much as these exports benefit poultry producers. It takes two pounds of feed to raise a pound of chicken or a pound of turkey. Every additional pound of poultry the United States can produce for the overseas markets increases demand domestically for feed grains, oilseeds, and similar feed ingredients.

In the past three decades, world consumption outside the United States has increased more than 500 percent to a quantity that is now four times the size of the U.S. poultry consumption volume. By comparison, U.S. poultry consumption over the past three decades has tripled.

One example of the potential for increased U.S. poultry exports is to consider that China's average per capita consumption of poultry is less than one-fifth the U.S. level. If the average Chinese consumer ate just one more chicken per year rather than the average six per year currently consumed, the increase in Chinese consumption would represent more than one-sixth of current U.S. chicken production.

During the 1990s, U.S. poultry producers benefited from a tremendous growth in exports. Chicken export volume increased nearly five-fold over the decade just ended. Last year well over 18 percent of U.S. chicken production was sold to international markets. Turkey exports grew even more impressively, almost nine-fold; and if the peak year of 1997 is considered, the growth was more than 11 times the volume in 1990. Almost nine percent of U.S. turkey production is sold into export markets.

Potential world consumption of poultry is truly remarkable. The potential for U.S. producers to supply a part of the increase in global poultry demand is tremendous if given the competitive opportunity to do so.

While the following recommendations may be outside the commodity program provision of the Farm Bill, they are, nonetheless, critical to increasing farm income and better ensuring the new program is successful. In short, the United States must continue to work aggressively and boldly for more liberalized world agricultural trade. All countries must be challenged if they do not live up to their trade agreements. Renewal of the President’s “trade promotion authority,” previously known as fast-track negotiating authority, would be a good step. However, if this step is not taken, it should not be an excuse to hold back vigorous work on international trade negotiations. Further, the United States must seek to open markets through the inclusion of agriculture in regional and bi-lateral trade agreements. Of special and immediate importance is to continue great vigilance over China’s accession to the WTO.

This Committee also needs to use the next Farm Bill to bolster funding for export promotion, especially with regard to value-added products. The United States is lagging further and further behind our competitors. For example, the European Union and its producers in 1995 were spending $314 million on agricultural export promotion; by 1998 that figure was more than $400 million. The CAIRNS Group – which includes such major agricultural exporters as Australia, Brazil, Canada and New Zealand – doubled government and producer funding from $282 million in 1995 to more than $600 million in 1998. Some estimates indicate that figure could top $1 billion in 2001. New Zealand is particularly aggressive, reinvesting into export promotion five cents for every export dollar it earns.

Our record in the United States pales by comparison. Federal-producer export investment was $225 million in 1995 and increased to $287 million in 1998. The trend is flat going into 2001, and we are reinvesting into export promotion less than one penny of every export dollar we earn. The next Farm Bill must structure our export promotion programs such as the Market Access Program Foreign Market Development program so that our spending levels are comparable to those of our foreign competitors.

On a related subject, it also is disheartening to see the United States misusing food as a foreign relation's weapon. For example, U.S. trade sanctions against Cuba are troublesome and have not proven effective in more than three decades. Trade sanctions involving food should not be the first course of action when the United States faces a serious dispute with another country. Farmers in this country pay the price for such actions.

The bottom line for poultry exports is that this segment is at serious risk unless government provides both the protection and the tools to enable U.S. poultry exporters to keep pace in a very competitive and often unfair world trade environment. U.S. exports are being undermined by the actions of foreign governments in numerous markets throughout the world. If these WTO-illegal actions are not successfully challenged, our ability to compete in the world marketplace is seriously diminished.

Examples include but are not limited to the following three problems: the politically-motivated and unsubstantiated charges of U.S. dumping of chicken in South Africa; the straight-out ban on U.S. chicken in countries such as the Philippines and Indonesia; and the EU's arbitrary ban on U.S. poultry because we use pathogen-reducing antimicrobials during processing to meet U.S. government food safety standards.

Environmental Rules Could Undermine Commodity Prices

While much of this statement has focused on commodity program mechanics and the role international trade plays in commodity prices, there is another domestic issue that affects commodity prices – environmental regulation. Costly state and federal rules are expected to cost producers with more than 50 animal units at least $12.2 billion during the next 10 years. If the federal government does not share in the cost of implementing the regulations it is promulgating, many poultry producers will be forced out of business, thus reducing the demand and prices for feed grains and oilseeds.

NCC and NTF strongly join with other livestock groups in calling for the next Farm Bill to provide USDA's conservation program with at least $10 billion over a five-year period. These funds should be available for a wide-variety of activities, including environmental audits, technical assistance and direct cost share for physical improvements.

Conclusion

In summary, we recommend refining the FAIR Act rather than moving-away from a market-oriented policy. Building a good foundation for a stronger, more dynamic U.S. agricultural economy can best be done by pursuing the progress already accomplished by the current Farm Bill. U.S. poultry producers are anxious to turn increasingly larger quantities of feed grains and oilseeds into value-added poultry products, especially to help meet the growing world demand for chicken, turkey, and other poultry. A market-oriented farm program will help us achieve that goal.

We also recommend bolstering commodity prices by ensuring a stronger commitment to export promotion – especially value-added promotion – and by providing final assistance necessary to ensuring environmental regulations do not drive poultry and livestock producers out of business and reduce the domestic demand for feed grains and oilseeds.

The National Turkey Federation, the National Chicken Council, and the many members of these organizations appreciate the opportunity to share our concerns and recommendations with you. Thank you for this special privilege.